GOVERNMENT OF INDIA
POWER
LOK SABHA

STARRED QUESTION NO:374
ANSWERED ON:08.08.2002
LOSSES TO SEBS
ADHIR RANJAN CHOWDHURY;SHYAMA SINGH

Will the Minister of POWER be pleased to state:

(a) whether the commercial losses of SEBs have increased almostthreefold in comparison to the last few years, as reported in the Statesman dated July 17, 2002;

(b) if so, whether the working group on SEBs for the Tenth Five Year Plan has submitted its report to the Government;

(c) if so, the details thereof; and

(d) the plans formulated on the basis of recommendations of the working group to bring down losses of SEBs?

Answer

THE MINISTER OF POWER (SHRI SURESH PRABHU)

(a) to (d) : A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (d) OF STARRED QUESTION NO. 374 TO BE ANSWERED IN TH LOK SABHA ON 08.08.2002 REGARDING LOSSES TO SEBs.

(a) to (d) : According to the Annual Report of the Planning Commission on theworking of SEBs the estimated commercial losses with subsidy of the SEBs in India has increased from Rs.2,725 crores in 1992-93 to Rs.24,837.22 crores in 2001-02 (Annual Plan).

The salient features of the Annual Report of the PlanningCommission on the working of SEBs and Electricity Departments for the Year 2001-2002 are as follows:

- The gap between average cost of supply and average tariff has increased from a level of 50 p/kwh in 1996-97 to 110 p/kwh in 2001-02.

- Tariff charged to agricultural consumers is much below the level of 50 p/kwh.

- Subsidy payable by state government on account of energy sales to domestic consumers is likely to increase from level of Rs.4386 crores in 1996-97 to Rs.12238.5 crores in 2001-02.

- Subsidy payable on account of sales to agricultural consumers is estimated to increase from the level of Rs.15586 crores in 1996-97 to Rs.30462 crores in 2001-02.

- Share of domestic and agricultural consumers in total energy sale has been increasing while that of industry has been declining.

Government have drawn up a strategy in consultation with State Governments for revival of financial health of SEBs and gradual elimination of these losses. Important steps taken are as follows:-

(i) Electricity Regulatory Commissions Act has been enacted to enable StateGovernments to constitute State Electricity Regulatory Commissions (SERCs) for rationalisation of electricity tariff and for promotion ofefficiency, economy and competition. So far SERCs are functional in 15 States. SERCs of 12 States have already issued tariff orders.

(ii) Conference of Chief Ministers/Power Ministers held in March, 2001recognised that the real problem of management and challenge of reforms lies in the distribution sector and resolved, inter alia, that:

(a) Energy audit at all 11 KV feeders will be made effective within the next 6 months and accountability fixed at the local level.

(b) An effective Management Information System (MIS) for this purpose will be made operational.

(c) On the basis of the above, an effective programme will be launched for identifying and eliminating power thefts in the next 2 years.

(d) Full metering of all consumers will be completed by December, 2001. Special efforts would be made to complete the programme.

(e) Current operations in distribution would need to reach break even in two years and positive returns thereafter

(iii) The Government of India has been signing Memoranda of Understanding(MOU) with States reflecting the joint commitment of the Centre and the States to undertake reforms in a time bound manner. These require the States to set up SERCs, undertake energy audit through full metering, reduce transmission and distribution losses and attain commercial viability. In reciprocation to the efforts of the States to achieve agreed milestones, the Central Government has committed assistance including allocation ofadditional power from unallocated share from Central Generating Stations,funds under specific programmes/schemes etc. The MOUs are now being fleshed out into Memoranda of Agreements (MOAs) with clearer and morespecific milestones as the reform programme in the States is acquiring concrete shape. 22 States have been covered by this exercise till now.

(iv) The Accelerated Power Development and Reform Programme (APDRPi)s designed to finance specific projects in identified distribution circles for a quick turn around and creation of centres of excellence. Initially 63 circles have been taken up for development as centres of excellence on the basis of well designed DPRs.The programme is being extended to cover concentrated loads and towns with population of over 1 lakh where work on preparing Detailed Project Reports (DPRs) has been initiated.The base line data of DPRs is crucial for evaluating the results of the programmewhich is aimed at improving quality of supply as well as controlling theft and improving the financial health of the sector. This programme also includes an incentive scheme aiming at actual cash loss reduction by SEBs/Utilities. Under this scheme there is provision for grants by theMinistry of Power to SEBs/Utilities for actual cash loss reduction.

(v) The Government of India (GOI) had set up an Expert Group under ShriMontek Singh Ahluwalia to suggest, inter alia, the one time settlement of the dues owed by State Electricity Boards (SEBs) to Central Public SectorUndertakings (CPSUs).Recommendations made by the Expert Group under Shri Montek Singh Ahluwalia have been accepted. The scheme aimsat making loss making power utilities bankable and provides that 60% of the interest/surcharge on the delayed payments as on 30.9.2001 would be waived off and the rest of the dues would be securitised through tax-free bonds issued by the respective State Governments. There would also be incentives to the States for timely payment of current dues. Default inmaking current payments shall attract, inter alia, suspension of funds under APDRP. Further, in order to initiate steps towards reform of the sector, the SEBs shall accept reform based performance milestones such as setting up of SERCs, metering of distribution feeders, improvements in revenuerealisation specified in the MOUs to be signed with the Ministry of Power.

With the Securitisation of past dues by the State Government and thecreation of the discipline of full payment for current supplies, the raising of the requisite resources from the market for the ambitious capacity addition programme of the CPSUs would become feasible. The State Governmentscan use this to give their power utilities clean balance sheets to enable them to fully access markets for funds to finance their investment programmes.

(vi) The forward-looking, reform−oriented Electricity Bill 2001 has beenintroduced in Parliament. The Bill, inter-alia, contains stringent provisions for penalty in case of power thefts. The Bill also includes provision forreduction of cross subsidies, and for payment of subsidies upfront by the State Governments to the State Power Utilities where such subsidies are considered unavoidable.

It is expected that the action plan briefly outlined in the preceding paragraphs would lead to improvement in the operational and financial performance of the State Electricity Boards/Utilities with restoration of commercial viability in a few years.